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8 August 1950

SUMMARIES OF TRENDS AND DEVELOPMENTS

USSR

1. The USSR apparently is encouraging the North Korean Government to adhere basically to its original timetable for the integration of North and South Korea by 13 August, in order to derive important political and psychological advantages by an expeditious accomplishment of Korean "unification." (Page 4)

2. East Berlin will not participate in the October 1950 elections of the German Democratic Republic (GDR). Apparently the USSR does not intend in the near future to: (1) destroy the legal fiction of quadripartite supervision of Berlin, or (2) give the West justification for the incorporation of West Berlin into the German Federal Republic (GFR). (Page 4)

3. Analysis of radar and visual observations in the Anadyr Gulf-Bering Straits area shows normal seasonal maritime traffic. (Page 5)

4. The consolidation of collective farms in the USSR is another step in the direction of more rigid controls over agriculture. Although there will be more control by the Communist Party, there will be only slight, if any, increases in production of agricultural commodities. (Page 6)

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EASTERN EUROPE
GENERAL

5. A series of current reports indicates that a co-ordinated military POL stockpiling program has been instituted throughout the Soviet orbit. However, the information available is not sufficient to make a quantitative estimate of the situation.

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CZECHOSLOVAKIA

6. A new crop purchasing program in Czechoslovakia aims to guarantee immediate possession of contracted deliveries, and implies stricter control over agricultural production.

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HUNGARY

7. A new tactic in the Hungarian Communists' battle with the Church was evident in the Catholic Conference which met in Budapest 1 August. Led by a handful of pro-Government lower Churchmen, the 300 priests and monks resolved, amid much publicity, to support the Government in its efforts to reach an agreement with the Church and to support the Government's economic program and peace policy. The State no doubt feels that this conference, with its appeal to clergy throughout the country, will bring sufficient pressure on the Bishops to make them accept its terms for the agreement.

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POLAND

8. Over-fulfillment of current Polish production schedules

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through mid-1950 and newly arranged trade pacts have prompted a sharp upward revision of production goals in that country's Six-Year Plan (1950-55).

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YUGOSLAVIA

9. Unless channels for the procurement of approximately 17,000 tons of cotton are found within the next two months, the economy of Yugoslavia may be adversely affected. A continued shortage of textiles will have an effect upon both the tied price system of acquiring agricultural products and the 1950-51 export program.

(Page 11)

SPECIAL ARTICLE

10. Bulgaria and Rumania have been proceeding with their two-fold campaign to label Western and Yugoslav diplomats as adventurist spies, and to destroy their intelligence capabilities. The immobilization of non-Orbit diplomats in the Balkans has already contributed to tension in the area by hindering observers in their verification of reports received from the hinterland. As far as direct action is concerned, France and the US are receiving the major share of attention, although both Rumania and Bulgaria are involving Yugoslav diplomats in trials and accusations intended to label Tito as the aggressor in the Balkans.

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EASTERN EUROPE

U S S R

USSR apparently anxious to exploit Korean
"Unification" by 15 August 1950

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The USSR, aware of the important political and psychological advantages to be gained by an expeditious accomplishment of Korean "unification," apparently is encouraging the North Korean Government to adhere basically to its original timetable for the integration of North and South Korea by 15 August. Thus the North Korean announcement that the elections of local people's committees have been completed in all provinces of South Korea (excluding those held by UN Forces) may herald a pronouncement on the specified date, that the "unification" of Korea under Kim Il Sung has been effected.

By its apparent willingness to consent to North Korean pursuance of its political campaign despite the unsettled conditions of war, the USSR has clearly demonstrated the importance attached to an early fait accompli regarding Korean "unification" and the farcical nature of the so-called "election" campaign. In the UN, the Soviet Union may be expected to exploit Korean "unification" in an attempt to embarrass the US and to advocate UN acceptance of a "unified" Korea. Such action would be in line with the initial Soviet proposal in the Security Council for the withdrawal of UN Forces, a suggestion cloaked by an "Asia for Asiatics" appeal. (CONFIDENTIAL)

East Berliners will not participate
in GDR elections

"A"

The Soviet press in Berlin has announced that East Berlin will not participate in the October 1950 elections of the German Democratic Republic (GDR). Recent reports indicate

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that an original SED (Socialist Unity Party) decision to include the Soviet Sector in the elections was reversed by direct intervention of Soviet officials.

Apparently the USSR does not intend in the near future to: (1) destroy the legal fiction of quadripartite supervision of Berlin, or (2) give the West justification for the incorporation of West Berlin into the German Federal Republic (GFR). The formal incorporation of East Berlin into the GDR would give no new advantage to the USSR, while incorporation of West Berlin into the GFR, by boosting morale and perhaps improving generally the West Berlin political and economic situation, would make Communist penetration of the Western Sectors more difficult. The Soviet decision may also indicate some uncertainty concerning the outcome of an election in East Berlin. Soviet officials may feel that very obvious manipulation of the ballots, easily discernible to Western observers, would be necessary in order to achieve the desired show of approval.

East Berlin political parties and mass organizations have in the past sent "representatives," officially called observers, to the GDR People's Chamber where no distinction has been made between them and other members. The practice will probably continue. (SECRET)

Soviet Arctic shipping remains
at normal level

"B"

Radar and visual reports of Soviet shipping activity in Anadyr Gulf and the Bering Straits afford a check on the current utilization of the Northern Sea Route and the development of Soviet Maritime strength in this area.

A summation of all sightings, between 2 and 24 July 1950 inclusive, reveals a maximum of 27 separate ships of which seven are unconfirmed. Most of these seem to have gone to Anadyr

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Gulf and neighboring areas. None of these vessels is definitely known to have passed thru Boring Straits.

On the basis of these observations, it is concluded that the volume of traffic during the period is consistent with normal seasonal movement. (SECRET)

Consolidation of Soviet collective farms
moving at fast rate

"B"

The consolidation of collective farms in the USSR is another step in the direction of more rigid controls over agriculture. Since the beginning of 1950 a major reorganization has reduced the number of collectives in the Moscow oblast from over 6,000 to about 1,700, and in the Leningrad oblast from 2,000 to 600 farms.

This overall reduction of some 70 percent in number of collectives and the resulting enlargement of existing farms will probably be only in those oblasts where small sized collectives are predominate. In such important grain regions as the Ukraine, North Caucasus, and the Volga, small collectives are in the minority and consolidation will be less drastic. The average area of cropped land per collective amounted to only 148 hectares in Moscow oblast in 1938 compared to 1,655 hectares for a Middle and Lower Volga farm and 484 hectares for the Soviet Union as a whole.

The merging of collectives will, according to the USSR, result in more efficient use of labor and machinery, bringing about higher production of agricultural commodities. Although the collective farmer is told this will mean more produce and money for his day of labor, it is obvious that under its procurement system the State will be the chief recipient of any increases in production. As a result of this reorganization step the Government will have an easier task in procuring agricultural commodities and there may be a slight

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increase in efficiency through better control of labor. This farm consolidation, however, like the effort to abolish squad field work in favor of the larger brigade, will mean a higher degree of control by the Government. (CONFIDENTIAL)

EASTERN EUROPE

GENERAL

Coordinated military POL stockpiling
in Soviet orbit

"A"

A series of current reports indicates that a coordinated military POL stockpiling program has been instituted throughout the Soviet orbit. During July there were strong efforts to increase gasoline availability in strategic areas by the imposition of additional restrictive measures, acquisition of special blending agents for aviation gasoline, and unusual activity at fuel depots.

There is substantial evidence that as early as 1948 the Soviet Union started a long-range POL stockpiling project. These preparations consisted of forcing satellite countries to restrict their domestic consumption and increase shipments to the USSR. Domestically, the Soviet economy was subject to further restrictions by reducing consumption quotas and gradually eliminating non-essential consumers. However, it was difficult at that time to establish the nature of the program because it has been a common Soviet practice to employ a strict allocation system of petroleum to arrive at a balance between supply and minimum requirements.

Current developments appear primarily concerned with military activity. In addition to fuel depots in Bulgaria being stocked under Soviet direction, and large shipments from Rumania, Bulgaria has recently received aviation gasoline

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directly from the Soviet Union. Apparently the USSR feels that the stockpiling program in Bulgaria is of sufficient importance to supplement Rumania's exports to Bulgaria from its own supplies. Furthermore, stocks from a relatively large Bulgarian military oil depot have been transferred to the Greek-Bulgarian border. This is considered to be a military stockpile for the Bulgarian Second Army.

Continuing reports indicate that Rumania, a surplus producing country, is faced with a shortage of all petroleum products. This situation implies that products are being taken from the usual Rumania allocation to increase strategic stocks or to establish operations stocks.

Petroleum products arriving in Czechoslovakia have been confiscated by the military. This is the first indication in that country that distribution may be directly controlled by military authorities. Besides making a bid to acquire strategic tetraethyl lead from Britain, a vital component of aviation gasoline, Czechoslovakia is attempting to acquire 5,000 tons of high octane aviation gasoline from Italy.

More evidence of the military stockpiling program is shown by unconfirmed reports indicating that all major service stations in Thuringia are being filled to capacity and sealed; also that Soviet Army drivers' schools will in the future be issued only half as much gasoline; and that additional restrictions have been placed on issuance of fuel to army trucks. Among the increases in other Soviet military activities, reports from Latvia claim that the Soviet Union is building large gasoline supply depots throughout Latvia. Tanks are being painted and camouflaged.

While these developments may be related to military summer maneuvers, the accelerated activity relating to fuel stocks during July may indicate that the stockpiling program is progressing from a strategic to an operation phase. However, the information available is insufficient to make a quantitative estimate of the situation. (SECRET)

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CZECHOSLOVAKIA

New crop collection measure initiated
in Czechoslovakia

"B"

In order to insure prompt delivery of contracted grain supplies for the present consumption year, a new purchase program has been initiated by the Czechoslovakian Government. The aim is to acquire possession immediately after the harvesting of grain crops, in order to eliminate a possible recurrence of last year's lag in deliveries.

Previously, the quantity of grain products purchased was established by a National Committee remotely located from the actual scene of agricultural operations. Quotas were assigned to specific areas and a specific timetable was worked out for the date of delivery. This proved inefficient because many farmers took advantage of differences in time and methods of harvest to evade full delivery of assigned quotas.

The new program delegates the authority and responsibility of purchases to local administrators who are familiar with conditions in their area. This action will enable a closer supervision of the harvest and minimize the possibility of hoarding. Furthermore, since threshing operations are now predominantly performed by the Machine Tractor Stations, the purchase program can be launched immediately following the harvest.

A more rigid control over the collection of farm products indicates a desire by the Government to consolidate gains already made in their program for the socialization of agriculture.

The new collection measures will materially assist the Government in its campaign to bankrupt or liquidate large landowners, since it will be increasingly difficult to evade or

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sidestep the discriminative contractual agreements.
(CONFIDENTIAL)

POLAND

Poland's revised Six-Year Plan
augments Soviet orbit war potential

"A"

Over-fulfillment of current production schedules through mid-1950 and newly arranged trade pacts have prompted a sharp upward revision of production goals in Poland's Six Year Plan (1950-55). The 1955 target for gross industrial production was recently revised from 58.3 percent over 1949 to 85-95 percent, and the annual average increase in national income was raised to 13.4 percent. Accordingly, it is envisaged that industrial output by 1955 will be four times greater than 1949. Targets for agricultural production for the same period were raised from 35-45 to 63 percent.

Conforming to Soviet Orbit planning, greater stress is placed on heavy industrial expansion, while output of consumer goods will rise only moderately.

Hence machine-building, a major determinant for expansion of heavy industry, will develop most rapidly. Based on 1949, the production index by 1955 is scheduled to rise more than three and a half times. The output of items hitherto not in production, such as high efficiency centrifugal pumps and lathes, paper-making machines, and high pressure boilers, explain in part the sharp rise of the index. Similarly the output of the chemical industry is to be expanded fourfold, and artificial fertilizers sixfold. Because emphasis is placed on heavy industrial production, the Plan increment of 1.2 million non-agricultural workers did not require revision. The goal was raised, however, for the training of technical labor.

The upward revision of production targets was made after the conclusion of several long-term trade pacts. The

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most important in value and composition is the five-year (1953-58) agreement with the USSR. The value of trade is to increase 39 percent in 1950 over 1949. Poland will receive a 400 million ruble credit toward the purchase of capital equipment. The 1950 agreement with the Sovzone calls for a 60 percent increase over last year, while a long-term trade pact will be signed in September. Chief Sovzone exports will be machinery and optical instruments. Long-term trade agreements have been signed with Hungary and Rumania, each calling for sharp increases in 1950 trade.

Current success in plan fulfillment, upward revision of 1955 targets, and long-term trade pacts, all point to the outstanding position within the Soviet sphere which the Kremlin has assigned to Polish industry. Apparently this is predicated on the fact that Poland has proven the most successful among the Satellites in the implementation of a socialized economy, and the expansion of its industrial potential. Because industrial advances are scheduled at a higher tempo, it is likely that collectivization will gain momentum. Of greater importance, however, is that the substantial completion of the new Six-Year Plan will significantly augment the Soviet Orbit's industrial potential for war. (SECRET)

YUGOSLAVIA

Yugoslav raw cotton supply is critical

"A"

Unless channels for the procurement of approximately 17,000 tons of cotton are found within the next two months, the economy of Yugoslavia may be adversely affected. A continued shortage of textiles will have an affect upon the tied price system of acquiring agricultural products and the 1950-51 export program.

Due to foreign exchange difficulties, Yugoslavia has been able to obtain only 57 percent of its 1950 cotton requirements. The other 43 percent is to be obtained through a loan

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from the Export-Import Bank - which has not yet been granted.

Since the basic needs of the peasant for consumers' goods are cotton textiles and shoes, the importance of supplying him with those items cannot be underestimated. As an incentive for the peasant to increase production of agricultural products, he must be guaranteed these consumers' goods. Their real compensation for compulsory delivery of food and raw material products to the Government at tied prices is through the use of coupons for the purchase of industrial consumer products at reduced prices. The basic problem, scarcity of goods, weakens the value of the coupons, thereby decreasing their effectiveness as an incentive to work.

The guaranteed supply of textiles for the urban population is also an incentive for the workers to increase production of goods for export. This applies especially to the mining and forestry industries which are major exporters.

The weakening or improvement in the economy of Yugoslavia will be determined in part by the fulfillment of the cotton textile needs in the next few months. A sufficient supply of cotton textiles for the population will mean: (1) an easier purchase of grain, livestock and other products from the peasants for urban and export purposes; (2) more incentive for the workers in the export industries, mining and forestry, to increase production; and (3) a real boost in morale for the population. These factors will partially determine the ability of the Yugoslav Government to meet export commitments which will affect the status of the whole economy. (SECRET)

SPECIAL ARTICLE

Balkan satellites continue campaign against Western and Yugoslav diplomats

While attention in the Balkans has been focused on reports of an alarmist nature, concerned for the most part with

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movements of troops and military supplies, Rumania and Bulgaria have proceeded with their two-fold campaign to label Western and Yugoslav diplomats as adventurist spies, and to destroy their intelligence capabilities. The immobilization of non-Orbit diplomats in the Balkans has already contributed to tension in the area by preventing observers from making rapid and comprehensive verification of the numerous reports being received from the hinterland. Thus the Satellite campaign against Western and Yugoslav missions is already proving effective to a large extent in the present period of tension by helping conceal the real state of military preparations in the Balkan satellites.

In the field of direct action against Western diplomatic missions, Rumania has been the more active partner. On 31 July, Rumania pressed home a demand that the French Legation provide strict reciprocity of diplomatic personnel on the basis of five nationals for each country. Since it is doubtful that the French can maintain an effective mission in Bucharest with such a small staff, they may choose to suspend or even sever relations, using the action to stigmatize Rumanian Communist hostility to France, which has destroyed the former cultural and social bonds between the two countries.

Rumania has simultaneously maintained its pressure on the US, despite the latter's acceptance of the principle of diplomatic parity. Rumania has failed to acknowledge the American right to maintain scheduled trips for diplomatic couriers and has failed to grant visas to bring the US staff up to the authorized ten members. An intensification of such pressures might well lead to a suspension of diplomatic relations, as in the case of Bulgaria, if the Department of State believed that information obtained from a crippled Legation could not compensate for the damage done US prestige by continual harassment of American officials.

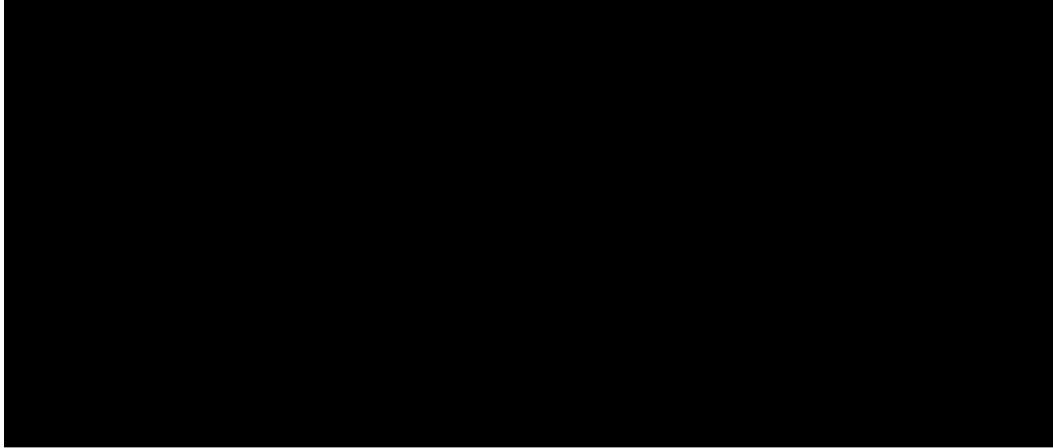
For its part, Bulgaria is expected before very long to request officially that the Italian Legation cut down the size of its staff. A Bulgarian suggestion to this effect has had no result, consequently an official demand will probably be forthcoming.

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The efforts of Bulgaria and Rumania against Yugoslavia have recently been concentrated on branding Yugoslav officials in the area as espionage agents whose actions are alleged to be directly related to Tito's "aggressive plans." Thus on 30 July, Sofia threatened to take "stringent measures" against the Yugoslav Embassy unless Yugoslav officials ceased their intelligence activities. The Sofia press has alleged that the Yugoslav Military Attache within a few days' time penetrated into two different prohibited areas. Simultaneously, the Bucharest Military Tribunal launched a trial involving personnel of the now-defunct Yugoslav Embassy. The indictment charged that certain Yugoslavs (two of whom are identified as Embassy officials) organized a spy ring composed of agents either recruited in the Banat or imported from Yugoslavia. Allegedly under the direction of the Yugoslav Embassy Secretary Ivanovici, the ring is supposed to have concentrated on economic information, but to have sought military and political data as well. Since the Yugoslav officials are being publicly tried after their Embassy is closed, the objective of the trial, is apparently to label the Yugoslavs as unscrupulous aggressors, the advance party of Anglo-American imperialist forces in the area. (SECRET)

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